



HOUSING MARKET

OUTLOOK

Saint John, Moncton and Fredericton

Total Urban Starts to Remain Strong in 2005

Canada Mortgage and Housing Corporation

www.cmhc.ca

Low mortgage rates, the urbanization phenomenon and solid labour market conditions are viewed as the key factors that will continue to fuel residential construction in urban centres in 2005 and 2006.

Between 1996 and 2001, the New Brunswick population declined for the first time in its history. At 729,498, the province's population dropped by 1.2 per cent when compared to 1996. However, the population rose in the Fredericton and Moncton CA's. This is a clear indication that people are moving towards larger urban centres. This urbanization phenomenon will continue to have a positive impact on housing demand in some of the larger urban centres. In Northern New Brunswick, urban starts will remain relatively weak as urban centres, such as Bathurst and Campbellton, continue to suffer from out-migration. However, weaker construction

activity in the smaller urban centres will have no significant impact on the total urban starts predicted for 2005 and 2006. Residential construction in Edmundston, Campbellton, Bathurst and Miramichi represents less than 10 per cent of the total urban starts in New Brunswick.

Our current forecast indicates that total urban starts in New Brunswick will reach 2,660 units in 2005, before declining to 2,420 units in 2006. The decline in provincial urban starts in 2006 will be due to a drop in both single and multiple urban starts. Single starts in urban centres are expected to drop from 1,700 units in 2005 to 1,650 units in 2006, while urban multiple starts will decline from 960 to 770 units over the same period. The drop in total urban multiple starts will be mainly due to a slow-down in activity in Greater Moncton, where vacancies will remain relatively high.

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IN THIS ISSUE

SAINT JOHN

- 2 Employment growth expected over the forecast period
- 2 Residential construction to remain strong

MONCTON

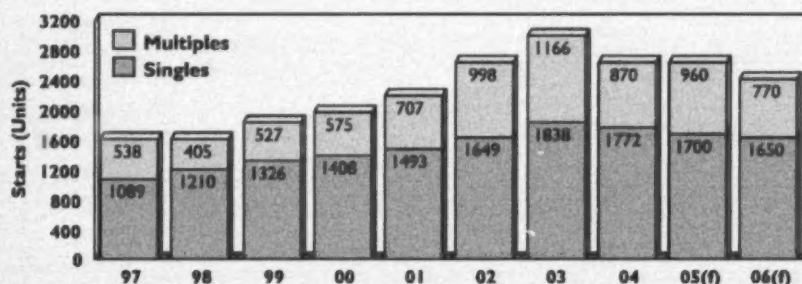
- 3 Employment to maintain an upward trend
- 3 Multiple starts to bounce back in 2005
- 3 2005: Resale market to set another record

FREDERICTON

- 4 Major projects to fuel economic growth
- 4 2005: Another record year for realtors
- 4 Slow down in multiple starts

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Total Urban Starts - New Brunswick



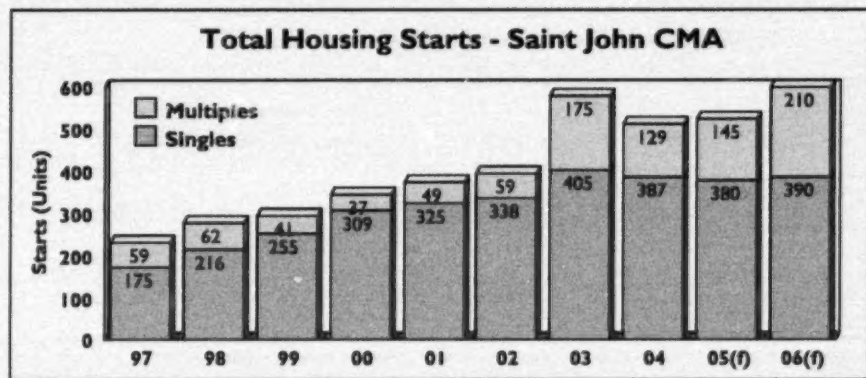
Saint John

Employment Growth Expected Over the Forecast Period

In 2004, employment reached a record high in Greater Saint John, exceeding the 2003 levels by more than 1,600 jobs.

New jobs were created in a broad range of key sectors, such as trade, service, manufacturing, transport, storage, communication and utilities. Employment growth in many key sectors clearly

indicates that the Saint John economy is more diversified than ever. In 2005, monthly employment in Greater Saint John reached an average of 62,900 in the first three months. That represents a significant increase when compared to an employment average of 60,633 in the first quarter of last year. Furthermore, the increase in employment was entirely due to a rise in full-time jobs. Major projects, such as the refurbishment of the Point Lepreau nuclear power plant and the construction of a liquified natural gas facility, could also generate tremendous employment and economic growth in Saint John, as these projects remain under active consideration. In short, expect the labour market in Saint John to expand over the forecast period. As labour market conditions improve, fewer households are expected to leave Saint



John. In fact, Saint John will most likely benefit from positive net-migration over the next few years, should potential projects such as the refurbishment of the Point Lepreau nuclear power plant and the construction of a liquified natural gas facility become reality.

Residential Construction to Remain Strong

Improving economic and labour market conditions will have a positive impact on the housing market. Total housing starts in Saint John are expected to rise to 525 units in 2005 and to a high of 600 units in 2006. The increase in residential activity will be due to a rise in multiple starts. Increased demand for semi-detached units and a rise in the number of proposed rental projects through the new affordable housing program will help

multiple starts exceed the 200-mark in 2006. However, the expected rise in rental starts will not be enough to cause any significant drop in the vacancy rate. Single starts are expected to remain strong in historical terms in 2005 and 2006. However, many home seekers will opt for an existing home on the resale market. An increase in new home prices as well as in the supply of existing homes available for sale are viewed as some of the key factors that will help the resale market to remain strong over the forecast period. Our current forecast indicate that both MLS® sales and the average MLS® sales price will reach record highs of 1,650 units and \$120,000 in 2005. The resale market will then slow down in 2006, in part due to rising home prices and mortgage rates.

FORECAST SUMMARY

Saint John CMA

	2001	2002	2003	2004	2005*	2006*	% Change
NEW HOME MARKET							
Total Starts	374	397	580	516	525	600	14.3%
Single-detached	322	330	395	374	360	350	-2.8%
Manufactured Homes **	3	8	10	13	20	40	100.0%
Multiples	49	59	175	129	145	210	44.8%
Avg. New Home Price	\$148,000	\$171,400	\$177,800	\$185,800	\$189,000	\$192,000	1.6%
Vacancy Rate	5.6%	6.3%	5.2%	5.8%	5.5%	5.0%	
RESALE MARKET							
MLS® Sales	1510	1505	1636	1612	1650	1600	-3.0%
Average Sales Price	\$97,348	\$103,544	\$106,475	\$116,836	\$120,000	\$122,000	1.7%

* Forecast

** Single sections in land leased communities

Moncton

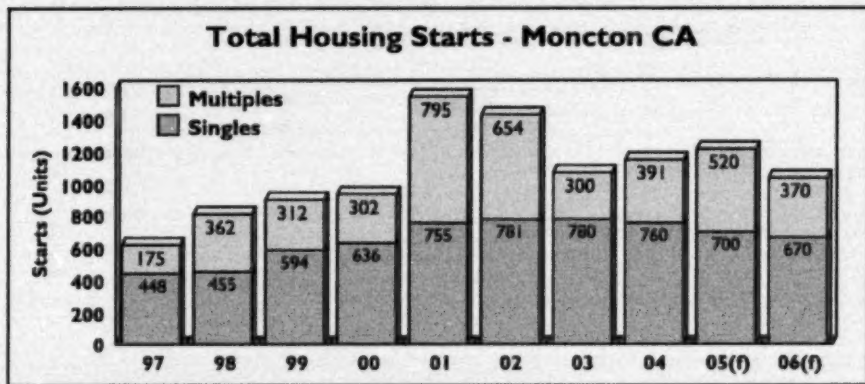
Employment to Maintain an Upward Trend

Employment in Greater Moncton is off to a weak start in 2005. Employment growth in the first quarter did not match the torrid pace set over the same period in 2004. However, many companies already indicated that they would expand in 2005 and hire more workers.

Furthermore, the construction of the new Gunningsville bridge between Riverview and Downtown Moncton, the new French school in Moncton, the Downtown Dieppe project and the expansion of the industrial parks are all key factors that will stimulate economic and employment growth in 2005. Improved infrastructure and many commercial projects will have a positive impact on housing demand.

Multiple Starts to Bounce Back in 2005

Multiple starts declined significantly in Greater Moncton in 2004. Last year, most builders focused on completing projects that they had begun in 2003, as opposed to starting new ones. In fact, 1,167 multiple units were completed in 2004 when compared to only 323 units in the previous year. The rise in completions is viewed as one of the key



factors that caused the vacancy rate to rise to 5 per cent in October 2004. This represents the highest vacancy rate in Greater Moncton since October 1998. Since the fall of 2004, construction activity has declined significantly in Greater Moncton. In the first quarter of 2005, only 48 multiple units were completed compared to 613 units over the same period last year. As a result, there remained only 152 multiple units under construction at the end of March, compared to 344 units twelve months earlier. This is an indication that multiple starts will bounce back in 2005.

However, construction activity will be mainly focused on semi-detached and condos, as well as on proposed projects through the new affordable housing program. Rental starts will remain weak in historical terms, as a result of relatively high vacancies.

2005: Resale Market to Set Another Record

It is fair to assume that mortgage rates can only go up from here. However, mortgages will remain low in historical terms, despite the expected minor increases over the forecast period. As a result, potential home buyers will continue to take advantage of low borrowing costs and an ample supply of listings to purchase a house. At the end of March, active listings had increased by nearly 9 per cent, despite year-to-date sales levels that had already exceeded last year's record by more than 3 per cent. A solid labour market, in-migration, low mortgage rates, broad supply of listings and rising new home prices are all key factors that will cause the resale market to reach another record year in 2005, in terms of both MLS® sales and average sales price.

FORECAST SUMMARY

Moncton CA

	2001	2002	2003	2004	2005*	2006*	% Change
NEW HOME MARKET							
Total Starts	938	1550	1435	1151	1270	1040	-18.1%
Single-detached	510	614	647	657	600	550	-8.3%
Manufactured Homes **	126	141	134	103	150	120	-20.0%
Multiples	302	795	654	391	520	370	-28.8%
Avg. New Home Price	\$138,650	\$144,000	\$150,200	\$164,733	\$170,000	\$175,000	2.9%
Vacancy Rate	1.6%	2.3%	2.9%	5.0%	4.8%	4.0%	
RESALE MARKET							
MLS® Sales	1666	1763	1861	2028	2200	2250	2.3%
Average Sales Price	\$92,428	\$99,942	\$104,577	\$113,096	\$118,000	\$120,000	1.7%

* Forecast

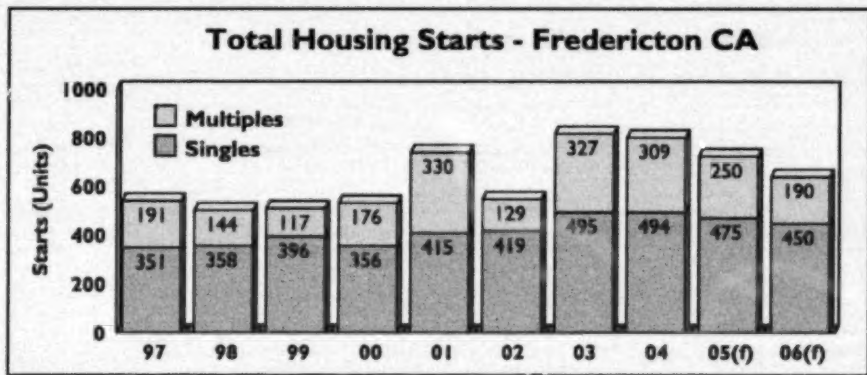
** Single sections in land leased communities

Fredericton

Major Projects to Fuel Economic Growth

Monthly employment in Greater Fredericton reached an average of 45,166 in the first three months of 2005. That represents a slight decline when compared to an employment average of 46,400 in the first quarter of last year.

The decline in employment was mainly due to a drop in full-time jobs. However, the construction of new projects such as the e-Plex in Downtown Fredericton, indoor ice hockey rinks, and fire stations, will fuel economic growth in the Capital region over the forecast period. These projects will not only create new jobs, but will also stimulate consumer confidence. As a result, employment is expected to bounce back later on this year. Solid labour market conditions will also continue to attract workers to the Capital region, fuelling housing demand.



2005: Another Record Year for Realtors

Strong employment, in-migration and low interest rates will continue to stimulate the resale market in 2005. Expect a record year for both sales and the average sales price again this year. Rising listings and a broadening gap between new and existing home prices are two other factors that will help boost the resale market to new record highs. However, the resale market will unlikely be able to maintain the pace set last year.

Expect growth in both sales and in the average sales price to be significantly lower this year than in 2004. A strong resale market will cause single starts to decline slightly over the forecast period.

Slow Down in Multiple Starts

Expect multiple starts to remain strong in historical terms. However, rising vacancies and an attractive home-ownership market will cause multiple starts to decline over the forecast period. Expect multiple starts to reach 250 and 190 units in 2005 and 2006, respectively.

FORECAST SUMMARY

Fredericton CA

	2001	2002	2003	2004	2005*	2006*	% Change
NEW HOME MARKET							
Total Starts	745	548	822	803	725	640	-11.7%
Single-detached	344	327	405	401	375	350	-6.7%
Manufactured Homes **	71	92	90	93	100	100	0.0%
Multiples	330	129	327	309	250	190	-24.0%
Avg. New Home Price	\$138,200	\$156,600	\$165,000	\$188,900	\$190,000	\$192,000	1.1%
Vacancy Rate	1.5%	0.9%	1.6%	3.7%	4.0%	3.5%	
RESALE MARKET							
MLS® Sales	1384	1474	1655	1923	2000	1975	-1.3%
Average Sales Price	\$105,818	\$105,245	\$115,229	\$119,191	\$123,000	\$126,000	2.4%

* Forecast

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Housing Market Outlook is published 2 times a year for the Saint John, Fredericton and Moncton markets in the Spring and Fall. Annual subscriptions to the **Housing Market Outlook** are \$40.00 plus applicable taxes. This publication is also available in French. For more information, or to subscribe, contact Michele Clark at the Atlantic Business Centre at (902) 426-4708. Order no. 7377EE

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